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Southern District of New York

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FORMER CEO AND VICE PRESIDENT OF STANDARD AUTOMOTIVE CHARGED ON KICKBACK AND EMBEZZLEMENT CHARGES

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced today the unsealing in Manhattan federal court of an Indictment that charges STEVEN MERKER, the former Chairman of the Board, President and Chief Executive Officer of Standard Automotive Corporation ("Standard Automotive"), and WILLIAM MERKER, the former Vice President, Secretary, and Director of Standard Automotive, with conspiracy, securities fraud, filing false reports with the Securities and Exchange Commission (the “SEC”), and bank fraud, in connection with their participation in an embezzlement scheme that defrauded Standard Automotive’s investors and creditors of millions of dollars.

According to the Indictment, from February 1999 through March 2001, the MERKERS engaged in a scheme to defraud Standard Automotive's investors and creditors by, among other things,

(1) causing Standard Automotive to pay substantially in excess of the originally negotiated purchase price in connection with three multi-million-dollar acquisitions and then receiving a substantial portion of the excess funds in secret cash kickbacks; (2) creating a series of bogus invoices seeking payment for services purportedly performed by WILLIAM MERKER on behalf of Standard Automotive; and (3) falsifying their expense reports so that it appeared that each had incurred legitimate business expenses far in excess of their actual expenses.

According to the Indictment, STEVEN MERKER and WILLIAM MERKER portrayed Standard Automotive as a highly-successful company engaged in rapid expansion through the acquisition of leading companies. However, according to the Indictment, STEVEN MERKER and WILLIAM MERKER used Standard Automotive's acquisitions as a vehicle for their own personal enrichment. Toward this end, STEVEN MERKER and WILLIAM MERKER orchestrated three multi-million-dollar acquisitions, which were funded in large part through loans made to Standard Automotive by various federally insured banks. In the course of these acquisitions, STEVEN MERKER and WILLIAM MERKER allegedly caused Standard Automotive to pay substantially in excess of the originally negotiated purchase price for each of those three companies. STEVEN MERKER and WILLIAM MERKER then directed the sellers of the acquired companies to wire the excess funds to a nominee account, and then received a substantial portion of those funds in secret, undisclosed cash payments, it was charged.

The Indictment further charges that in a continuing effort to benefit personally from Standard Automotive's acquisitions, WILLIAM MERKER created a series of bogus invoices seeking payment for advice and due diligence purportedly performed on behalf of Standard Automotive by himself and an entity that he controlled. As a result of these fraudulent invoices, WILLIAM MERKER caused Standard Automotive to pay him thousands of dollars that he was not entitled to receive and that were not disclosed to Standard Automotive's shareholders or creditors in the year 2000.

According to the Indictment, STEVEN MERKER and WILLIAM MERKER also engaged in a scheme to defraud the Company by falsifying their expense reports. In furtherance of this scheme, STEVEN MERKER and WILLIAM MERKER fraudulently inflated the amounts of legitimate business expenses that each had actually incurred on their expense reports. STEVEN MERKER and WILLIAM MERKER also sought reimbursement for fictitious expenses, as well as for their own personal expenses.

STEVEN MERKER, 46, who lives in Fort Lee, New Jersey, surrendered to federal authorities and is scheduled to be presented before United States Magistrate Judge MICHAEL H. DOLINGER later today.

WILLIAM MERKER, 43, lives in Manhattan, also surrendered to federal authorities and is scheduled to be presented before Judge DOLINGER later today.

Both defendants are charged with one count of conspiracy, one count of securities fraud, three counts of false filings with the SEC and one count of bank fraud. If convicted, each of the defendants faces a maximum sentence of five years in prison and a $250,000 fine, or twice the gross gain or loss resulting from the crime, on the conspiracy count; a maximum sentence of 10 years in prison and a $1 million fine, or twice the gross gain or loss resulting from the crime, on the securities fraud and false filings counts; and a maximum sentence of 30 years in prison and a $1 million fine, or twice the gross gain or loss resulting from the crime, on the bank fraud count.

Mr. COMEY is a member of the President’s Corporate Fraud Task Force. The Task Force is chaired by Deputy Attorney General LARRY THOMPSON, and was created by President BUSH last year to combat white collar crime.

Mr. COMEY thanked the Internal Revenue Service for its assistance in the investigation.

Assistant United States Attorney KIM A. BERGER is in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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